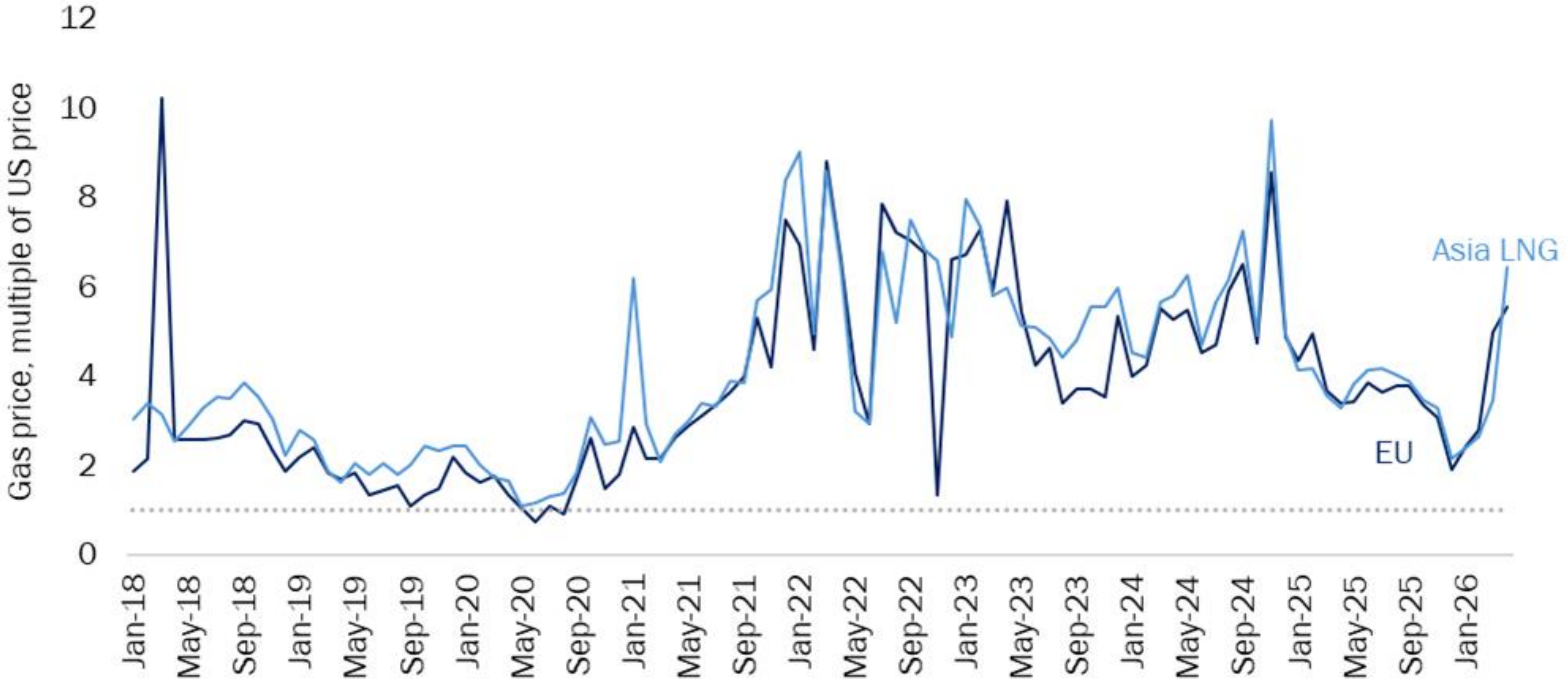
REGIONAL ECONOMIC PROSPECTS

Strai(gh)t talk

European Bank
for Reconstruction and Development

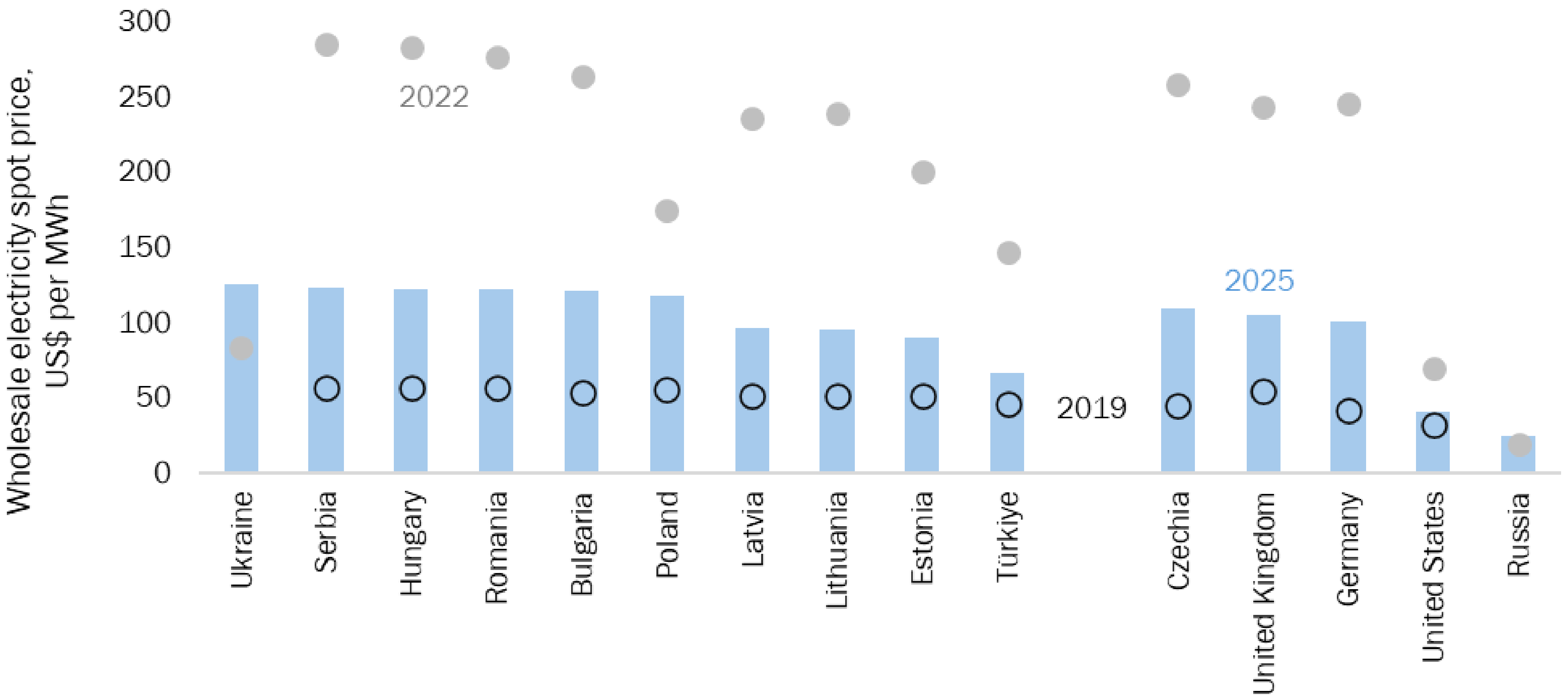
JUNE 2026

As gas prices in Europe responded more strongly to the conflict in the Middle East than those in the US, the wedge between European and US gas prices exceeded a factor of five



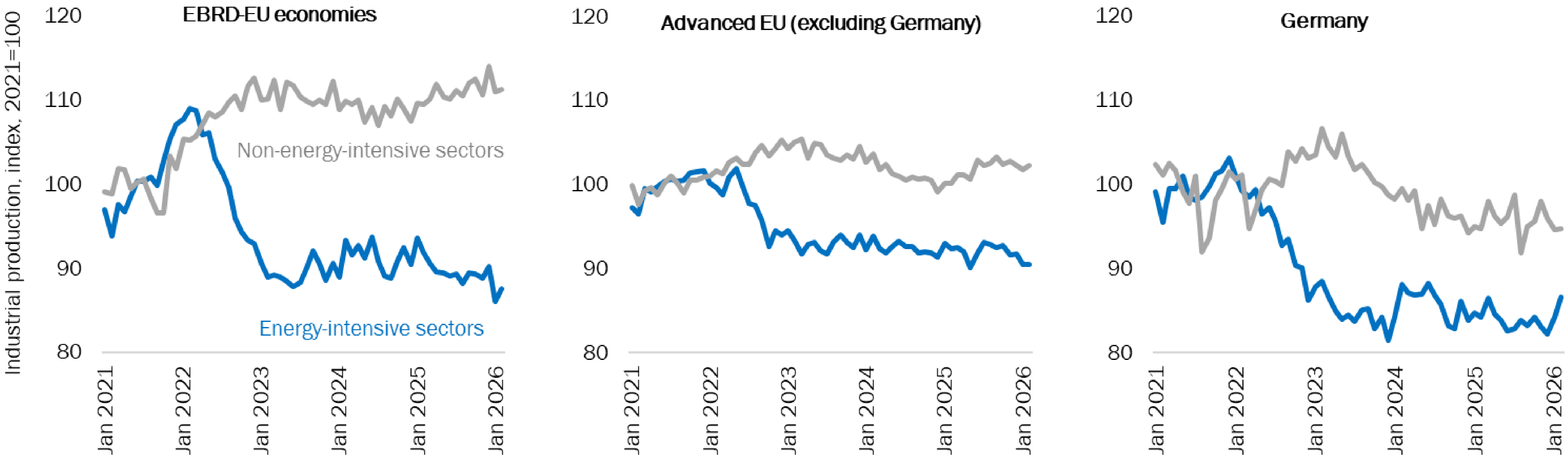
Source: Refinitiv and authors' calculations. Note: European gas prices are based on TTF front-month futures prices. US and Asian gas prices are based on spot benchmarks. Horizontal line at 1.

Higher gas prices tend to translate into higher electricity prices – electricity prices also much higher in Europe than in the United States though below their 2021-22 levels



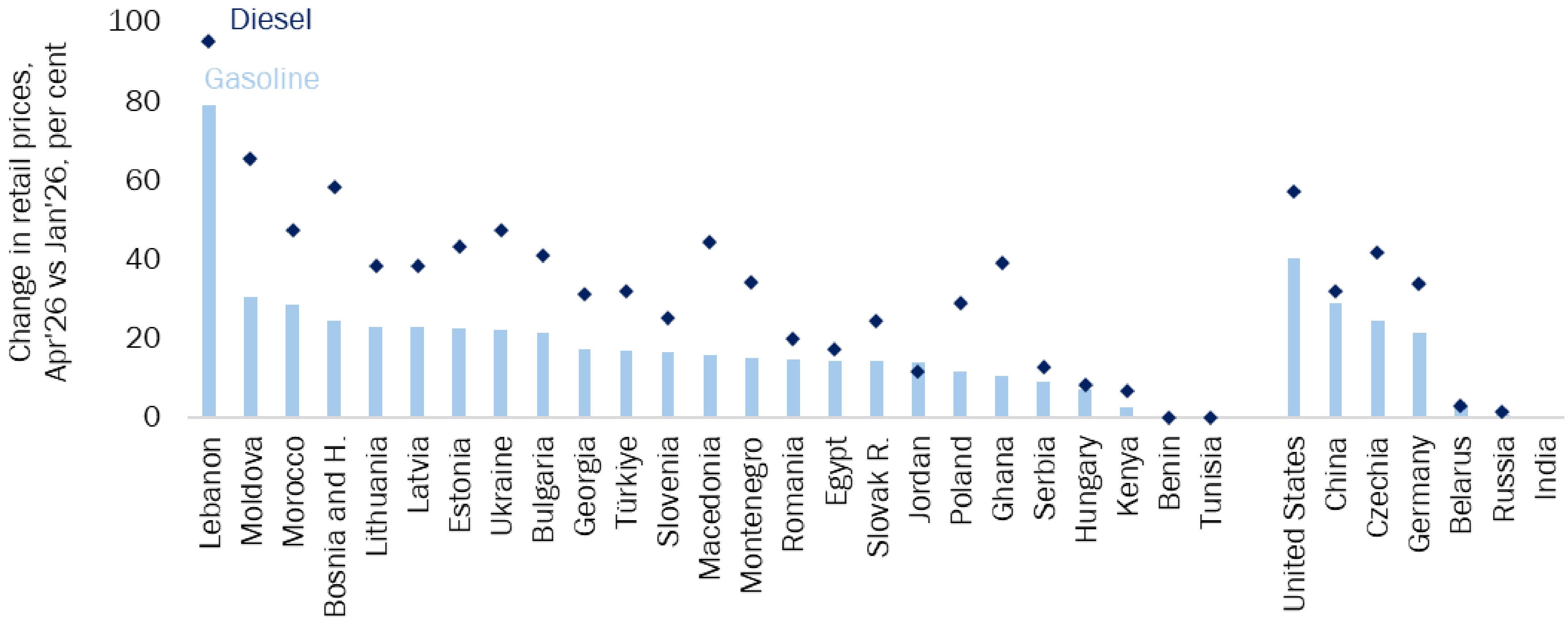
Source: IEA Real-Time Electricity Tracker and authors’ calculations.

Since 2022, industrial production in energy-intensive sectors has been lagging that of non-energy-intensive sectors in both advanced EU and EBRD-EU economies



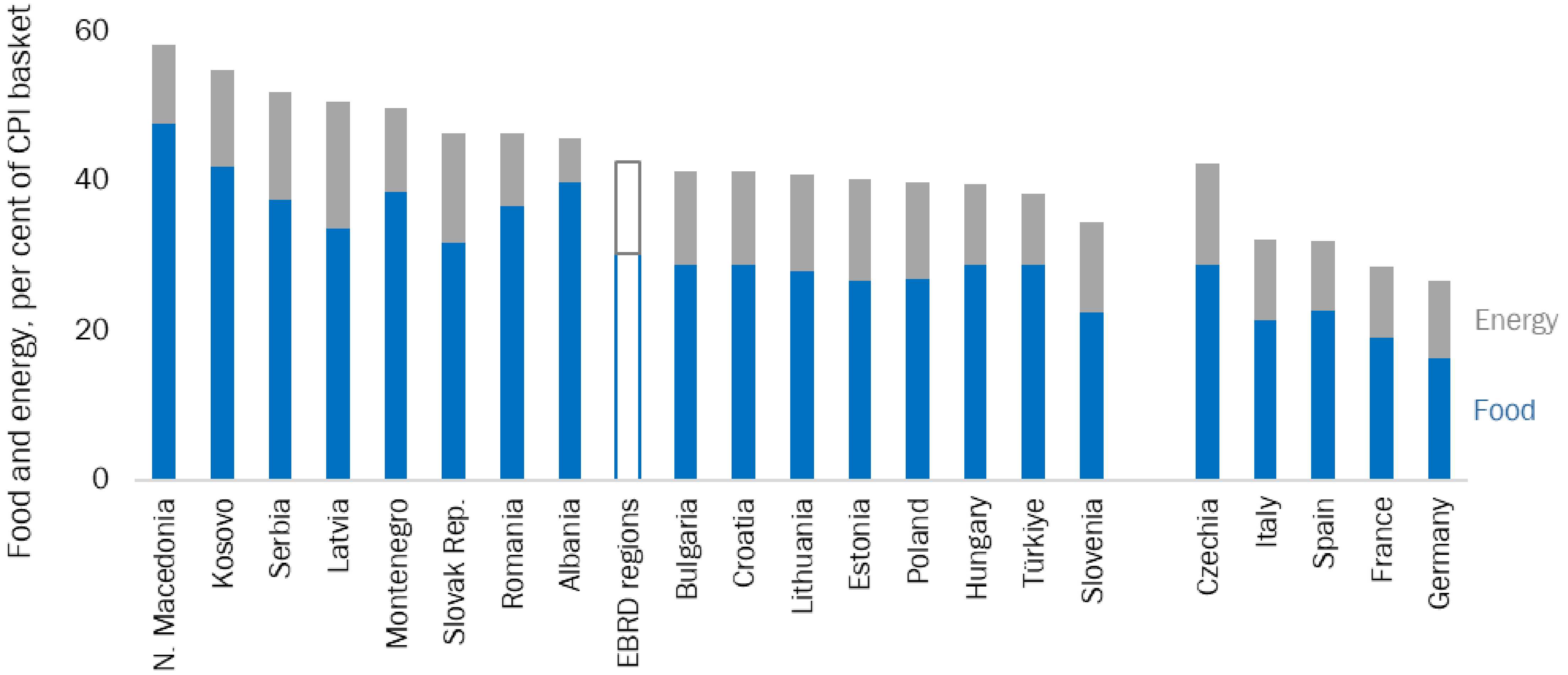
Source: Eurostat, and authors' calculations. Note: Weighted averages across 6 EBRD-EU and 12 advanced EU economies (excluding Germany). Weights are based on the value of output in each country-sector in 2021. Energy-intensive sectors include chemicals, basic metals, paper and others listed in Table 4 in Plekhanov and Sassoon (2023) with carbon intensity above 100 (10 sectors in total). Non-energy-intensive sectors include computer electronics, apparel, and other industries with carbon intensity below 100 (18 in total).

Across the EBRD regions, diesel prices at the pump increased by 32 per cent on average between January and April 2026



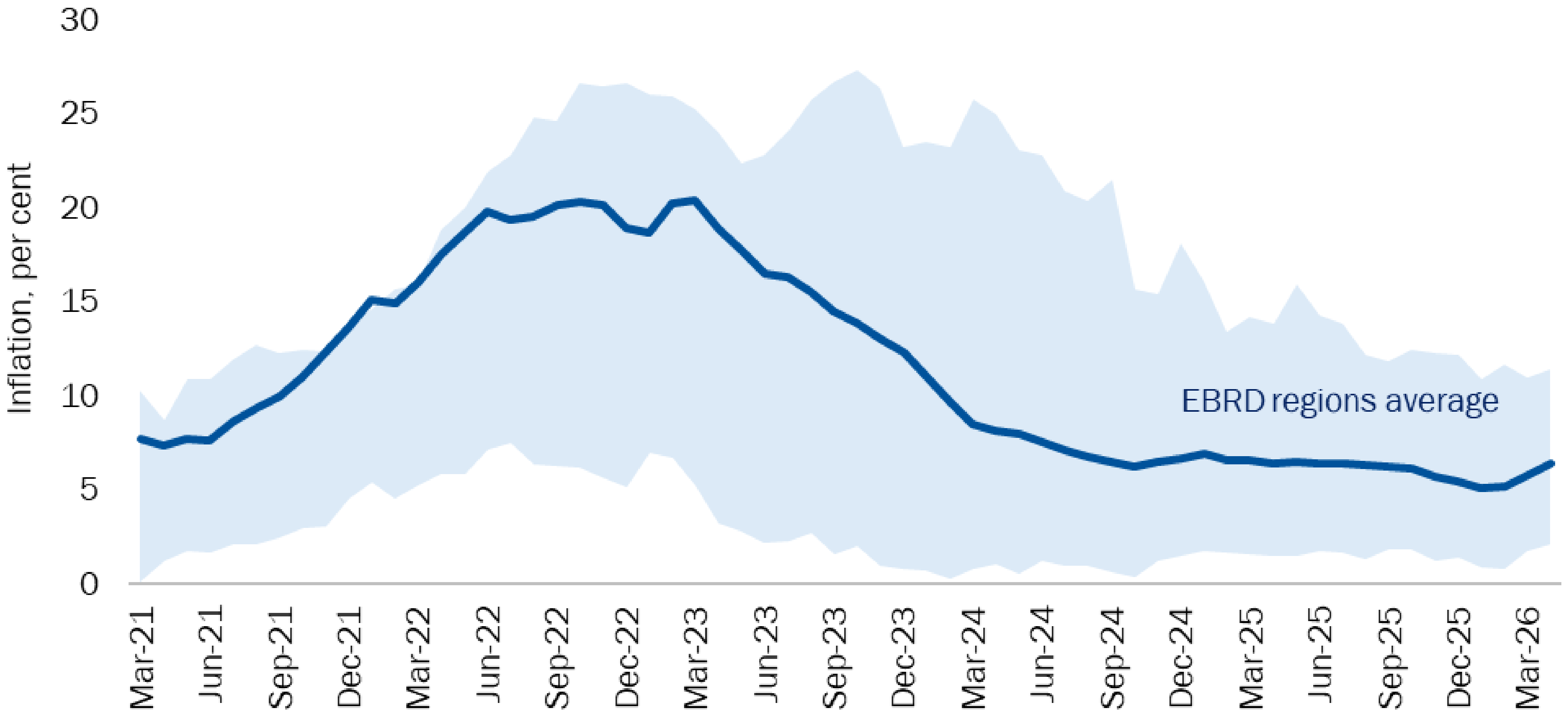
Source: GlobalPetrolPrices.com and authors' calculations. Note: Per cent change in retail price after all taxes and fees in local currency.

The inflationary effects of energy price increases are higher in lower-income economies as food and energy account for higher shares of consumer baskets



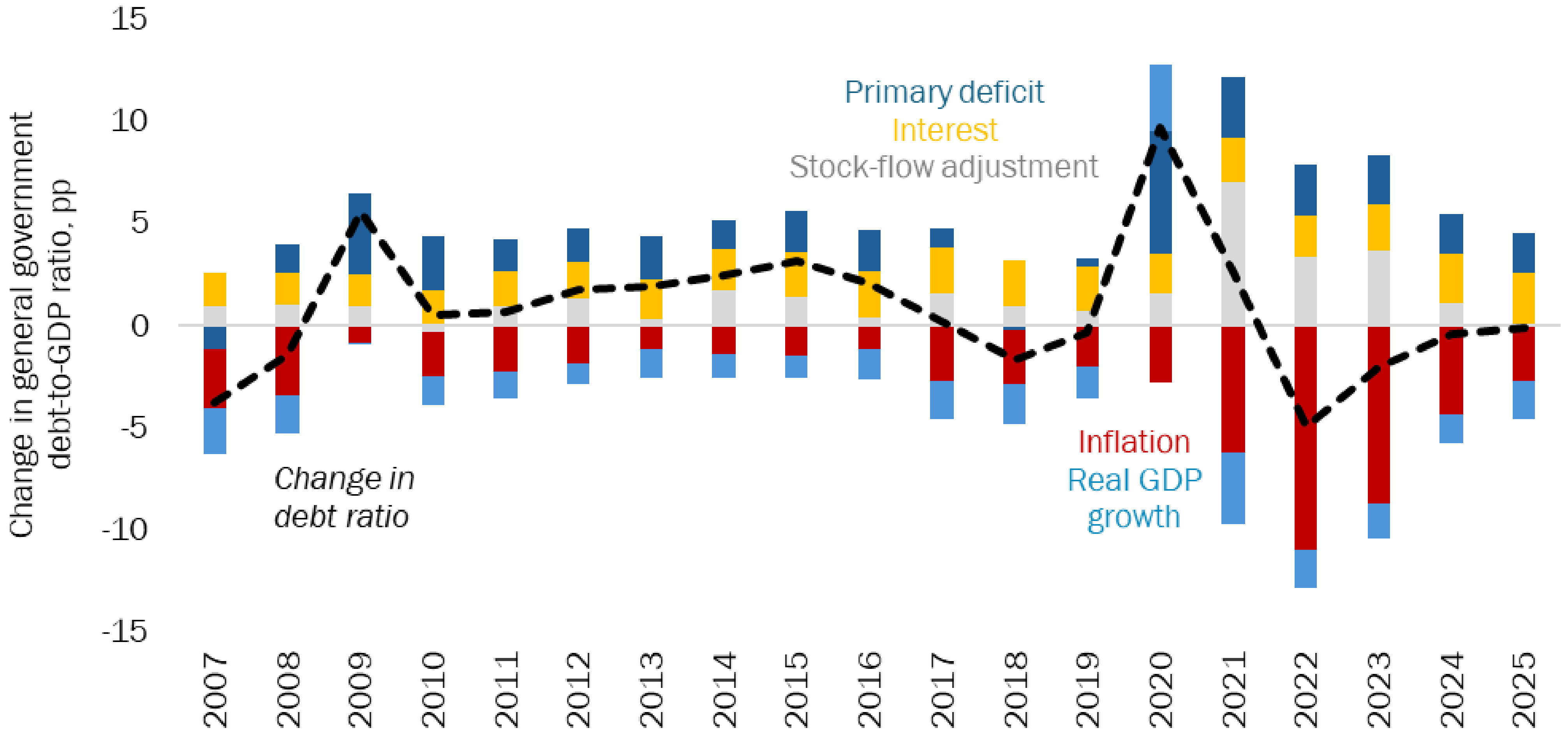
Source: Eurostat and authors' calculations. Note: Food CPI includes food products and non-alcoholic beverages (CP01) and alcoholic beverages, tobacco and narcotics (CP02). EBRD regions is the median across the economies shown in the chart.

As energy prices increased, inflation in the EBRD regions rose by 1.2 percentage points between February and April 2026 – reversing the decline in late 2025 - early 2026



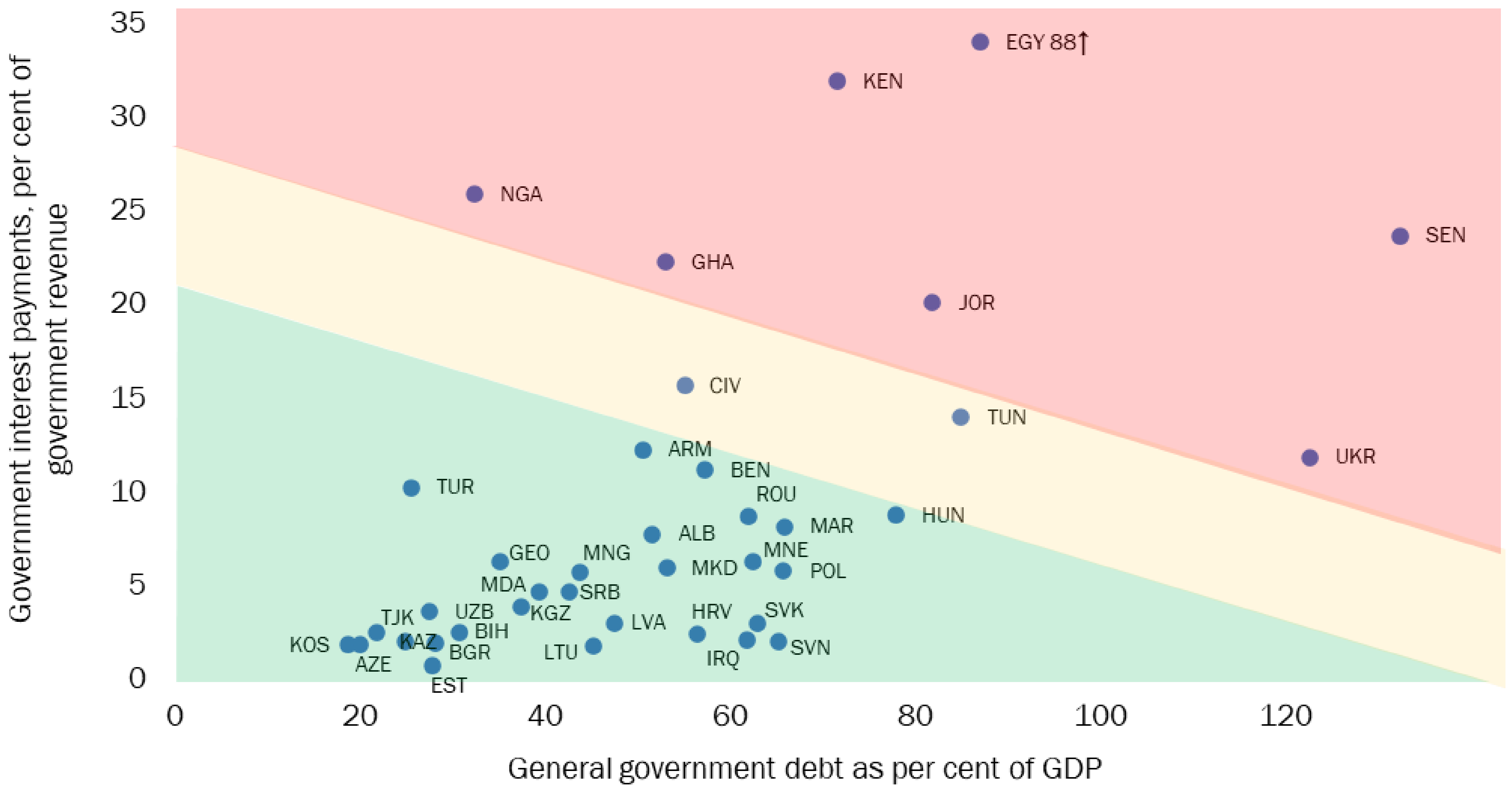
Source: Refinitiv and authors' calculations. Note: Based on a balanced panel of 41 economies in the EBRD regions. The shaded area shows the range between the 10th and 90th percentiles of inflation in each month.

Unanticipated inflation helped stabilise debt ratios in 2021-23 despite large fiscal deficits and higher policy interest rates but the debt-reducing effect of inflation has been fading



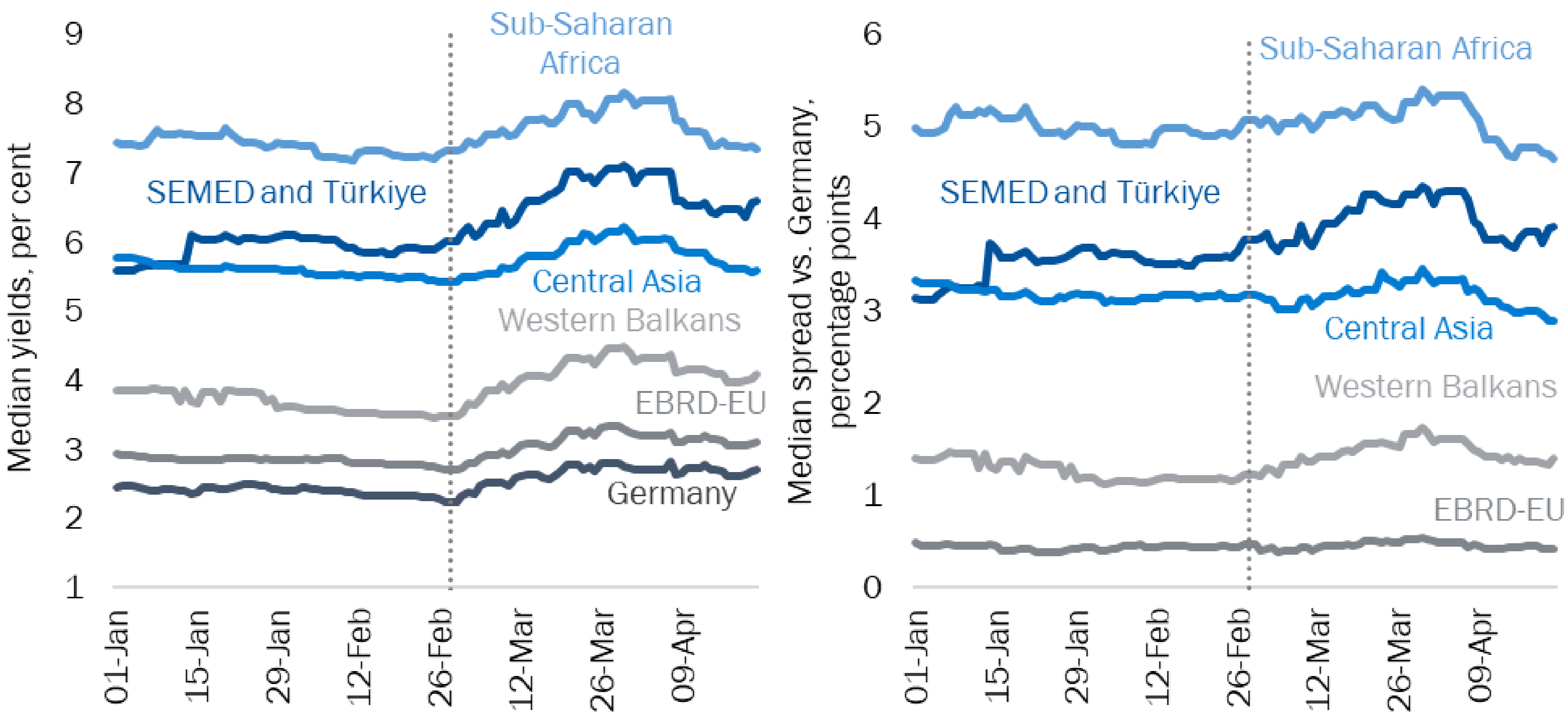
Source: IMF WEO April 2024 and authors' calculations. Note: Data refer to 2026. Simple average across 41 economies in the EBRD regions. Year-on-year changes in debt ratios.

The fallout from the conflict is adding to fiscal pressures, especially in the southern and eastern Mediterranean and sub-Saharan Africa



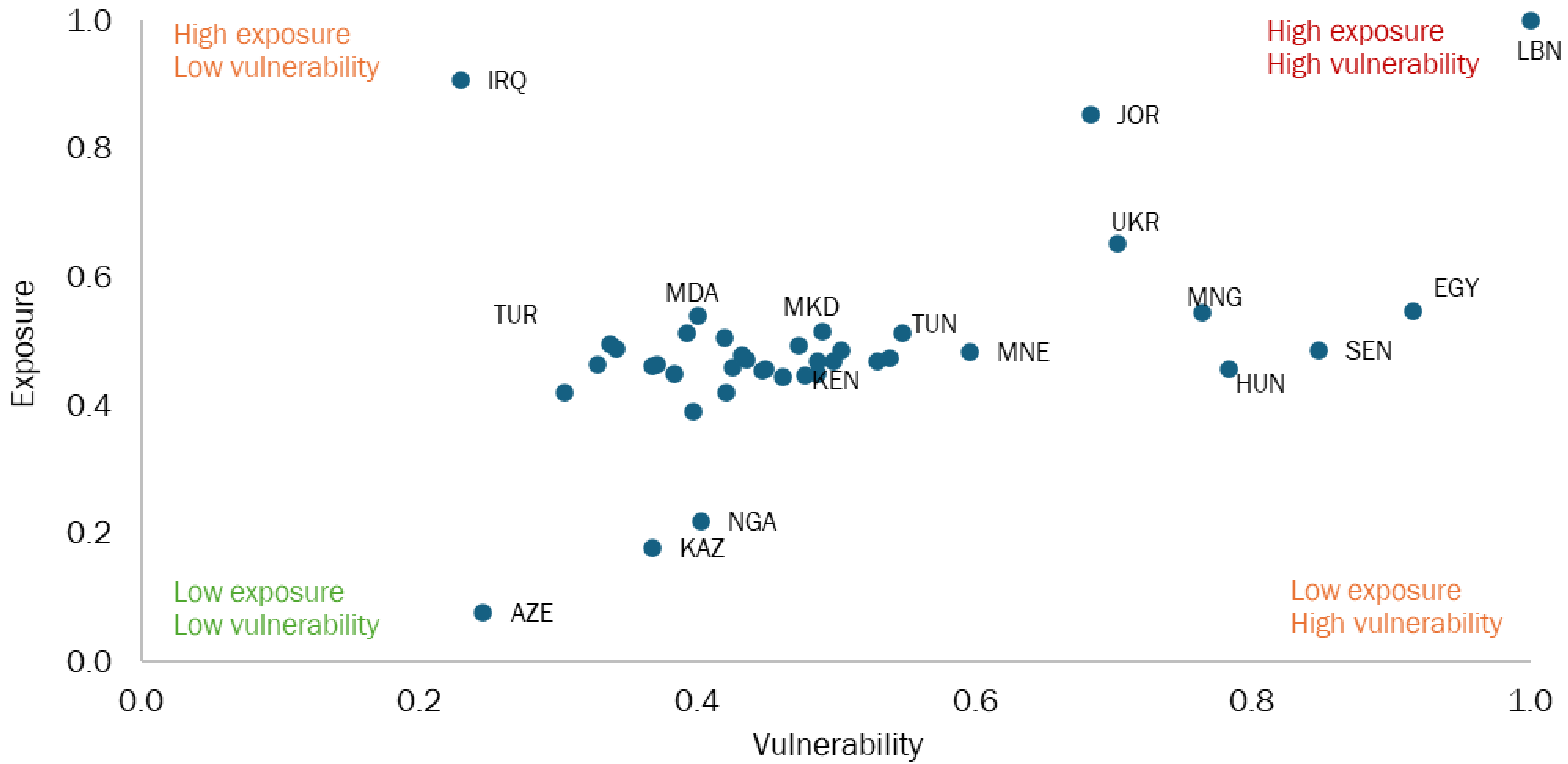
Source: IMF (April 2026) and authors' calculations. Note: Data refer to 2026.

Debt financing burdens may increase going forward: yields on euro or US dollar denominated government bonds increased across most economies in the EBRD regions



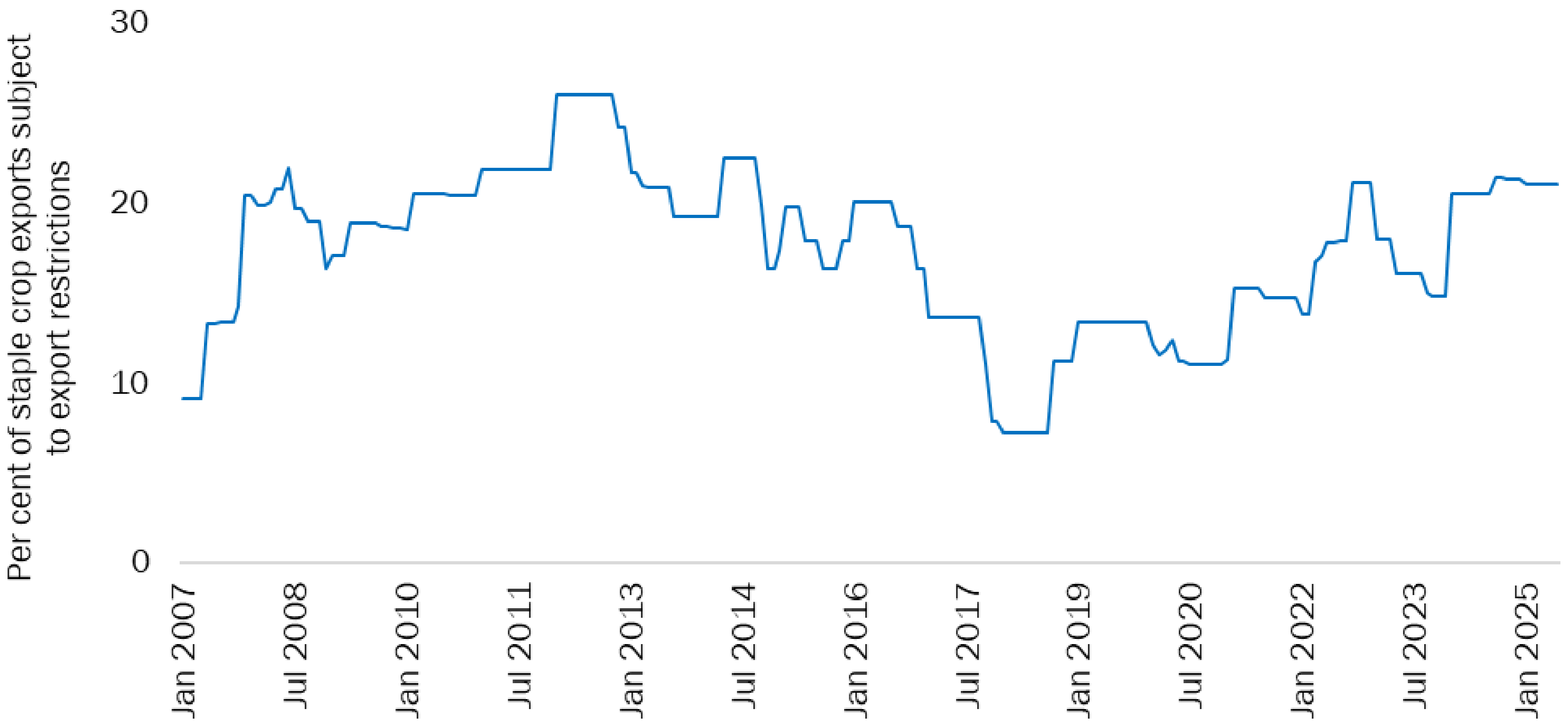
Source: Bloomberg and authors' calculations. Note: Based on EUR- or USD-denominated bonds with maturities of five to ten years. As of 17 April.

Exposure to the conflict in the Middle East and underlying vulnerabilities vary across economies, with high exposures in Lebanon, Jordan, Iraq, high vulnerabilities in Egypt



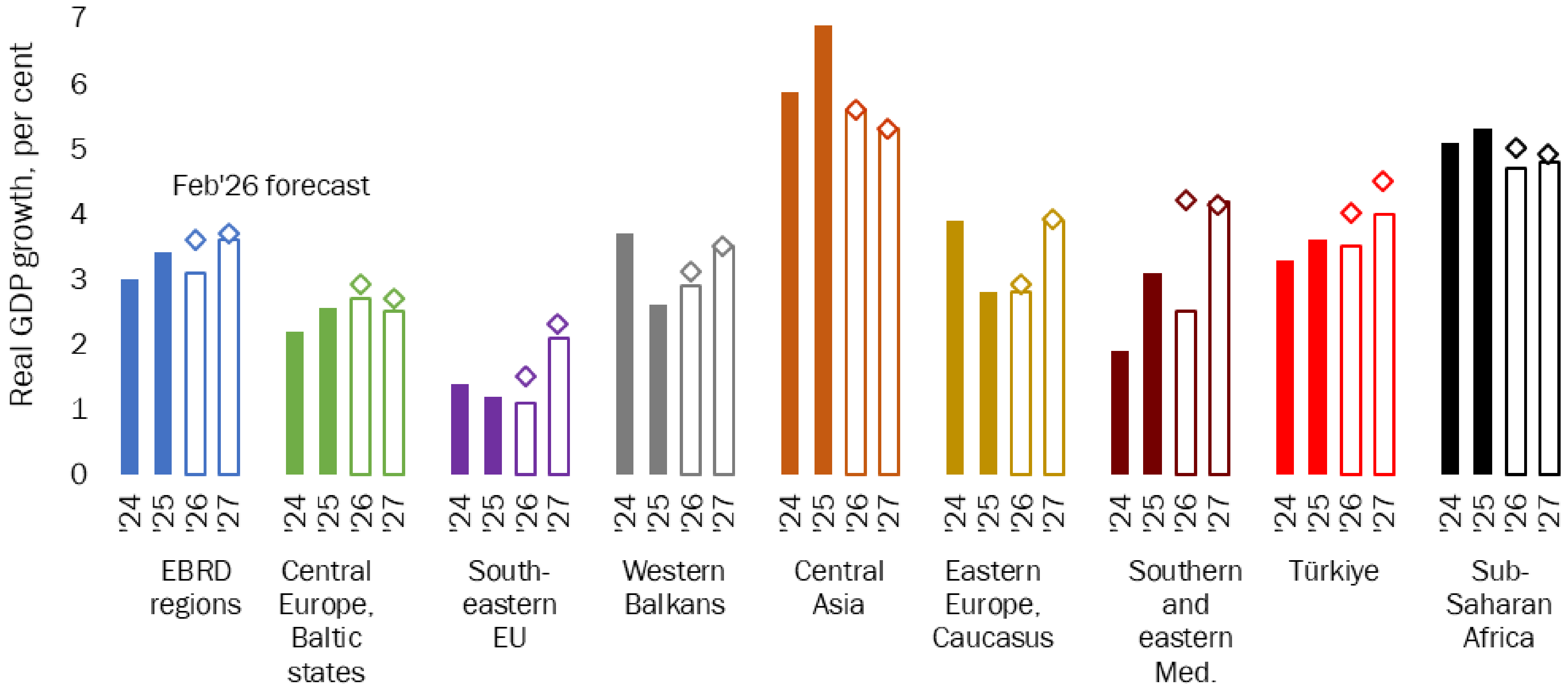
Source: Authors' calculations. Note: The index of exposure takes into account the military impact, direct disruptions to trade and tourism, oil imports, gas imports, fertiliser imports and remittances from GCC economies. The index of vulnerability accounts for the fiscal capacity of governments to absorb shocks from higher energy and food prices, looking at external debt and interest payments.

In response to higher food prices during 2022-23, many economies introduced restrictions on exports of staple crops – such restrictions may be back, fragmenting markets



Source: OECD database of export restrictions on staple crops (last updated in September 2025). If no end date was reported in the data, the restriction was assumed to remain in place for one year. Staple crops consist of around 30 HS6 codes that appeared in the database at least once, including products such as wheat, rice, maize, soybeans, vegetable oils and processed cereal products.

2026 growth forecast for the EBRD regions has been revised down by 0.5 pp since Feb’26 on conflict in the Middle East (-0.1 pp in 2026 since Mar Update), 2027 revised down 0.1 pp



Source: National authorities via CEIC and EBRD forecasts. Note: EBRD average based on the values of gross domestic product in 2024 in current US dollars from the IMF.